

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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LAB-06 SIL-01 SAL-01 OMB-01 DODE-00 PM-09 H-02 L-03

NSC-10 PA-03 PRS-01 SS-14 USIA-12 IGA-02 T-03 RSR-01

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 3988

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E. O. 1 VTWC N/ A

TAGS: EFIN

SUBJ: COMMERCIAL ARREARAGES - CIRCULAR 409
DISCUSSIONS

REF: MVD 668 AND 712

BEGIN SUMMARY. CR. CARLOS BELLO, A MANAGER OF CENTRAL BANK OF URUGUAY (CBU), CALLED IN COMMERCIAL ATTACHES OF COUNTRIES WHERE MOST OF COMMERCIAL ARREARAGES ARE OWED TO DISCUSS ARTICLE 14 OF CIRCULAR 409. ARTICLE AUTHORIZES CBU TO UNDERTAKE AGREEMENTS WITH OTHER CENTRAL BANK, PRIVATE BANKS, INSTITUTIONS, AND FOREIGN OR LOCAL FIRMS TO FACILITATE DISCOUNTING OF PROMISSORY NOTES ISSUED TO COVER DEBTS OR OTHER BANK OPERATIONS WHICH WOULD PERMIT RAPID RE- PAYMENT. BELLO TOLD U. S. COMMERCIAL ATTACHE THAT CBU WOULD BE INTERESTED IN ANY PROPOSAL THIS REGARD FROM U. S. EXPORT- IMPORT .(. END SUMMARY.

1. IN DISCUSSION WITH EMBASSY COMMERCIAL ATTACHE BELLO MADE FOLLOWING POINTS:

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A) CIRCULAR 409 DOES NOT COVER DEBTS OF STATE ENTITIES TO OVERSEAS SUPPLIERS WHICH WOULD BE PAID OFF AS RAPIDLY AS POSSIBLE.

B) INDIVIDUAL U. S. FIRMS HAVE DISCUSSED POSSIBILITY OF SWAP ARRANGEMENTS WITH CBU IN LIEU OF RECEIVING PROMISSORY NOTES UNDER CIRCULAR 409. SWAPS WOULD BE REPAID 50 PERCENT AFTER 4 YEARS AND REMAINDER AT 5 YEARS.

C) CBU INTERESTED IN ARRANGEMENTS WHEREBY DEBTS WOULD BE PAID THROUGH EXPORT NON- TRADITIONAL EXPORTS TO CREDITORS.

D) DEBTS TO U. S. SUPPLIERS WERE SOME US DOLS 7 MILLION NOT INCLUDING CAPITAL GOODS WHICH HAD NOT YET BEEN CALCULATED.

2. COMMERCIAL ATTACHE STATED ANY ARRANGEMENT AGREEABLE TO INDIVIDUAL U. S. FIRMS WOULD BE USEFUL BUT THAT USG INTEREST WAS TWO- FOLD. FIRSTLY, CREDITORS SHOULD BE TREATED EQUITABLY AND THAT EMBASSY UNDERSTOOD FROM MANY CREDITORS THAT THE PROVISIONS OF CIRCULAR 409 WERE CONSIDERED HARSH. AFTER REVIEWING VARIOUS POINTS RAISED BY AMCHAMBER (SEE MVD 668) ATTACHE SUGGESTED THAT CBU CONSIDER MODIFICATIONS IN CIRCULAR 409 WHICH WOULD MEET SOME OF THESE COMPLAINTS. SECONDLY, THERE WAS ABOUT US DOLS 1.3 MILLION OWED THE U. S. EXPORT- IMPORT BANK AND ALTHOUGH ATTACHE NOT AUTHORIZED SPEAK FOR BANK HE WAS CONFIDENT THAT IT WOULD BE MUTUAL U. S./ URUGUAYAN INTEREST TO SETTLE THIS DEBT AT EARLIEST OPPORTUNITY.

3. BELLO WAS NON- COMMITTAL ON POSSIBILITY MODIFICATION OF CIRCULAR 409 BUT WAS INTERESTED IN DISCUSSING SETTLEMENT EXPORT- IMPORT BANK DEBT. HE OBSERVED THAT THIS DEBT PROBABLY AFFECTED AVAILABILITY EXPORT INSURANCE AND THEREBY MIGHT INCREASE COSTS URUGUAYAN IMPORTS FROM U. S. HE ASKED IF ATTACHE COULD OBTAIN VIEWS OR PROPOSAL FROM EX- IM BANK ON SETTLEMENT THIS DEBT.

4. COMMENT: IN CHATTING WITH CONTACT IN CBU BEFORE MEETING WITH BELLO, ATTACHE WAS TOLD MEETINGS WERE BEING HELD TO " TRANQUILIZAR" COMMERCIAL ATTACHES, PERHAPS INDICATING THAT LITTLE OF SUBSTANCE WAS INVOLVED. RESOLUTION OF DEBT PROBLEM THROUGH SWAPS WOULD BE OF LITTLE INTEREST TO SUPPLIERS LIMITED OFFICIAL USE

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UNLESS INTERIM USE COULD BE MADE OF PESOS WHICH HAVE TO BE

DEVOTED TO INVESTMENTS APPROVED UNDER GOU DEVELOPMENT PLAN.
USE OF DEBT TO BUY NON- TRADITIONAL EXPORTS FROM URUGUAY OF
LITTLE VALUE EXCEPT FOR STATE CONTROLLED COMMERCE SINCE
CREDITOR AND BUYER SELDOM CO- INCIDE. THE ONE POSITIVE ELEMENT
IN DISCUSSION WAS WILLINGNESS CONSIDER ARRANGEMENT FOR
EX- IM DEBT DERIVED FROM EXPORT INSURANCE. EMBASSY WOULD
APPRECIATE EX- IM VIEWS AND ANY PROPOSAL FOR SETTLEMENT TO BE
PRESENTED CBU.
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